

Message Text

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15

ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 /121 W

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R 160250Z MAR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 3244

INFO AMEMBASSY ALGIERS

AMEMBASSY ABU DHABI

USINT BAGHDAD UNN

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOAH

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS UNN

USMISSION EC BRUSSELS

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 3455

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EO 11652: GDS

TAGS: ENRG ID

SUBJECT: INDONESIAN CRUDE OIL PRICES, MARKETING AND PRODUCTION

1. SUMMARY: RECENT REMARKS MADE BY MINES MINISTER SADLI ON OIL PRICES ARE MISLEADING AND GIVE IMPRESSION GOI HAS LOWERED OFFICIAL CRUDE SELLING PRICES. PERTAMINA DENIES LATTER BUT ADMITS THAT SPECIAL "SALES DISCOUNTS" HAVE BEEN MADE ON CERTAIN DEALS. SALES TO WEST COAST ARE EXPANDING AND PRODUCTION TOPPED 1.5 MILLION B/D DURING FIRST WEEK OF MARCH. END SUMMARY

2. COMMENTS MADE BY MINES MINISTER SADLI TO PRESS FOLLOWING MARCH 10 INSTALLATION CEREMONY OF NEW PERTAMINA BOARD OF DIRECTORS CONTAINED MISLEADING REFERENCES TO REDUCTION OF INDONESIAN OIL PRICES. SADLI SAID CRUDE SELLING PRICES FOR ARDJUNA (ARCO) AND CINTA (IIAPCO) CRUDES WERE REDUCED FROM \$12.80 TO \$12.60 AND \$12.40 RESPECTIVELY; PRICE ON JATIBARANG (PERTAMINA) CRUDE ALSO LOWERED TO \$12.40.

3. CLOSER EXAMINATION OF SADLI'S REMARKS INDICATES MINISTER MAY HAVE BEEN CONFUSED OR MISQUOTED. CINTA AND JATIBARANG PRICES WERE LOWERED LAST OCTOBER TO \$12.40 FROM \$12.60 AS PART OF GOI EFFORT TO RESTORE PRICE COMPETITIVENESS TO ITS CRUDE OIL. ARCO'S OFFICE HERE CONFIRMS THAT PRICE OF ARDJUNA CRUDE (37 API) REMAINS \$12 .80.

PERTAMINA FOREIGN MARKETING DIVISION ALSO INSISTS THAT OFFICIALS SELLING

PRICES ARE UNCHANGED. OFFICIAL CONTACTED WAS LESS THAN CHARITABLE ABOUT ACCURACY OR HELPFULNESS OF SADLI'S REMARKS.

4. PERTAMINA OFFICIALS DID ADMIT, HOWEVER, THAT SALES DISCOUNTS HAVE BEEN MADE ON CERTAIN SPOT DEALS FOR LARGE CARGO SHIPMENTS OF UP TO 350,000 BARRELS. THESE PRICE CUTS HAVE RANGED FROM 20 CENTS TO 30 CENTS PER BARREL (AND OCCASIONALLY MORE) AND ARE OFFERED ON ONE TIME BASIS FOR ARDJUNA, BEKAPI (TOTAL), ATTAKA (UNION), TATAKAN (TESORO), AND CERTAIN OTHERS. THESE REDUCTIONS ARE SEPARATE FROM PERTAMINA'S REGULAR PRACTICE OF OFFERING 10 CENTS/BARREL "TERMINAL DISCOUNTS" AND STRETCHED OUT 90-120 DAY CREDIT TERMS WHICH, WE UNDERSTAND, CAN EFFECTIVELY LOWER SELLING PRICE BY ABOUT 1.5 CENTS - 3.0 CENTS/PER BARREL/PER 30 DAYS
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CREDIT PERIOD.

5. FLEXIBLE PRICING PLUS AGGRESSIVE MARKETING HAVE RESULTED IN SEVERAL MAJOR CRUDE DEALS WITH WEST COAST BUYERS. ALTHOUGH OFFICIALS DO NOT ADMIT IT DIRECTLY, PERTAMINA IS CONCENTRATING VERY HEAVIYY IN SALES TO U.S. IN EFFORT MDEVELOP STRONG POSITION THERE. ACCORDING TO PERTAMINA SOURCES, DEALS HAVE BEEN ARRANGED RECENTLY WITH GOLDEN EAGLE REFINERY (30,000 B/D), USA PETROLEUM

CORP. (20,000 B/D) AND TESCO REFINERY (15,000 B/D) ALL IN THE SOUTHERN CALIFORNIA REGION SALES INVOLVE ATTAKA, MINAS, AND OTHER CRUDES. PERTAMINA CURRENTLY DISCUSSING POSSIBLE 85,000 B/D FY 76/77 DEAL WITH JAPAN INDONESIAN OIL COMPANY (JIOC) OF TOKYO. IN EARLY FEBRUARY, PERTAMINA SIGNED CONTRACTS IN SINGAPORE WITH SHELL (14,000 B/D) AND GULF (7,000 B/D). MOST RECENT MAJOR DEAL INVOLVE SEVEN YEAR CONTRACT WITH NATOMAS COMPANY (PARENT OF IAPCO) FOR 28,000 B/D CINTA CRUDE TO BE SOLD ON WEST COAST JOINTLY BY PERTAMINA AND NATOMAS.

6. DAILY CRUDE PRODUCTION FIGURES REFLECT THIS IMPROVEMENT IN MARKETING. PRELIMINARY STATISTICS FOR FEBRUARY SHOW OUTPUT AT 1.46 MILLION B/D, HIGHEST LEVEL SINCE MID-1974. COMPANIES SHOWING BIGGEST GAINS OVER DECEMBER ARE CALTEX (25,000 B/D), TOTAL (15,000 B/D), AND ARCO (6,000 B/D). DEPARTMENT OF MINES ANNOUNCED MARCH 15 THAT PRODUCTION FOR FIRST WEEK OF MARCH REACHED 1.51 MILLION B/D. IF SUSTAINED, THIS LEVEL OF PRODUCTION WILL BE HIGHEST IN INDONESIA'S HISTORY.
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